

NEWCASTLE INDEPENDENT SCHOOL DISTRICT NO. 1

MCCLAIN COUNTY, OKLAHOMA

JUNE 30, 2013

TABLE OF CONTENTS

	Page
<u>SCHOOL DISTRICT OFFICIALS</u>	
<u>INDEPENDENT AUDITOR'S REPORT</u>	1
<u>COMBINED FINANCIAL STATEMENTS</u>	
Combined Statement of Assets, Liabilities and Equity - Regulatory Basis - All Fund Types and Account Groups	4
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances - Regulatory Basis - All Governmental Fund Types	5
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types	6
Notes to Combined Financial Statements	7
<u>OTHER SUPPLEMENTARY INFORMATION</u>	
<u>Combining Financial Statements</u>	
Combining Statement of Assets, Liabilities and Cash Fund Balances - Regulatory Basis - All Special Revenue Funds	Exhibit A-1
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances - Regulatory Basis - All Special Revenue Funds	Exhibit A-2
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual-Regulatory Basis-All Special Revenue Funds	Exhibit A-3
Combining Assets, Liabilities and Fund Equity - Activity Fund - Regulatory Basis	Exhibit A-4
Combining Statement of Changes in Assets and Liabilities - Regulatory Basis - Activity Funds	Exhibit A-5
<u>Supporting Schedule(s)</u>	
Schedule of Expenditures of Federal Awards	Exhibit B-1
<u>INTERNAL CONTROL AND COMPLIANCE REPORTS</u>	
* Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With Government Auditing Standards	Exhibit C-1
* Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	Exhibit D-1
<u>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</u>	
Summary of Auditor's Results	Exhibit E-1
Findings Related to Financial Reporting	Exhibit E-2
Summary Schedule of Prior Year Audit Findings	Exhibit F-1

NEWCASTLE INDEPENDENT SCHOOL DISTRICT NO. 1
MCCLAIN COUNTY, OKLAHOMA
JUNE 30, 2013

TABLE OF CONTENTS

OTHER INFORMATION

Page

Schedule of Accountants' Professional Liability Insurance
School's Corrective Action Plan

Exhibit G-1
Exhibit H-1

* The required internal control, compliance, and schedule of findings and questioned costs are required by Government Auditing Standards and OMB Circular A-133 when a single audit is applicable

**NEWCASTLE INDEPENDENT SCHOOL DISTRICT NO. I-1, MCCLAIN COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2013**

BOARD OF EDUCATION

President	Gary Knowles
Vice President	Dawayne Smith
Clerk	James Albertson
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SUPERINTENDENT OF SCHOOLS

Tony O'Brien

ENCUMBRANCE CLERK

Carol Busler

SCHOOL DISTRICT TREASURER

Jimmie Holman

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Newcastle Independent School District #1
McClain County, Oklahoma

Board Members:

Report on Financial Statements

We have audited the accompanying combined fund type and account group financial statements of the **Newcastle Independent School District #1**, McClain County, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the district's regulatory financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Oklahoma State Department of Education. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by **Newcastle Independent School District #1** McClain County, Oklahoma, on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Oklahoma State Department of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of **Newcastle Independent School District #1**, McClain County, Oklahoma, as of June 30, 2013, or the changes in its financial position, for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The financial statements referred to above do not include the general fixed asset account group, which is a departure from the regulatory basis of accounting prescribed by the Oklahoma State Department of Education. The amount that should be recorded in the general fixed asset account group is not known.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and equity arising from regulatory basis transactions of each fund type and account group of **Newcastle Independent School District, #1**, McClain County, Oklahoma as of June 30, 2013, and the revenues collected, expenditures paid/expenses, and budgetary results, for the year ended on the regulatory basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Newcastle Independent School District #1, McClain County, Oklahoma’s** combined financial statements. The combining financial statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the combined financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the *Oklahoma Department of Education* and/or the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the combined financial statements.

The combining financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the combined financial statements as a whole on the regulatory basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013, on our consideration of the **Newcastle Independent School District, #1, McClain County, Oklahoma's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standard* in considering **Newcastle Independent School District, #1, McClain County, Oklahoma's** internal control over financial reporting and compliance.

Angel, Johnston + Blessingame, P.C.

Chickasha, Oklahoma
November 25, 2013

COMBINED FINANCIAL STATEMENTS

Newcastle School District No.1-001, McClain County, Oklahoma
Combined Statement of Assets, Liabilities and Fund Balances
Regulatory Basis - All Fund Types and Account Groups
For the Year Ending June 30, 2013

	Governmental Fund Types				Fiduciary Fund Types	Account Group	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Long- Term Debt	June 30, 2013
<u>ASSETS</u>							
Cash and Cash Equivalents	\$ 1,807,623	\$ 98,705	\$ 194,884	\$ 506,904	\$ 155,244	\$ 0	\$ 2,763,360
Investments	0	0	0	0	0	0	0
Amounts Available in Debt Service Fund	0	0	0	0	0	194,884	194,884
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	3,300,116	3,300,116
Amounts to be Provided For Capitalized Lease Agreements	0	0	0	0	0	44,201,313	44,201,313
Amounts to be Provided For Compensated Absences	0	0	0	0	0	112,541	112,541
Total Assets	\$ 1,807,623	\$ 98,705	\$ 194,884	\$ 506,904	\$ 155,244	\$ 47,808,854	\$ 50,572,214
<u>LIABILITIES AND FUND BALANCE</u>							
Liabilities:							
Warrants Payable	\$ 893,164	\$ 2,884	\$ 0	\$ 24,367	\$ 0	\$ 0	\$ 920,414
Reserve for Encumbrances	63,248	1,952	0	60	0	0	65,259
Due to Activity Groups	0	0	0	0	155,244	0	155,244
General Obligation Bonds Payable	0	0	0	0	0	3,495,000	3,495,000
Capitalized Lease Obligations Payable	0	0	0	0	0	44,201,313	44,201,313
Compensated Absences Payable	0	0	0	0	0	112,541	112,541
Total Liabilities	\$ 956,411	\$ 4,836	\$ 0	\$ 24,426	\$ 155,244	\$ 47,808,854	\$ 48,949,771
Fund Balances:							
Restricted For:							
Debt Service	\$ 0	\$ 0	\$ 194,884	\$ 0	\$ 0	\$ 0	\$ 194,884
Capital Projects	0	0	0	482,478	0	0	482,478
Cooperative Programs	0	0	0	0	0	0	0
Unassigned	851,212	0	0	0	0	0	851,212
Total Fund Balances	\$ 851,212	\$ 93,869	\$ 194,884	\$ 482,478	\$ 0	\$ 0	\$ 1,622,443
Total Liabilities and Fund Balances	\$ 1,807,623	\$ 98,705	\$ 194,884	\$ 506,904	\$ 155,244	\$ 47,808,854	\$ 50,572,214

The notes to the financial statements are an integral part of this statement.

Newcastle School District No.1-001, McClain County, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - All Governmental Fund Types
For the Year Ending June 30, 2013

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2013
Revenue Collected:					
Local Sources	\$ 3,264,591	\$ 438,987	\$ 3,353,477	\$ 9,715	\$ 7,066,770
Intermediate Sources	273,040	0	0	0	273,040
State Sources	5,676,415	1	9	0	5,676,426
Federal Sources	1,122,558	0	0	0	1,122,558
Non-Revenue Receipts	6,400	0	27,576	0	33,975
Total Revenue Collected	\$ 10,343,005	\$ 438,988	\$ 3,381,062	\$ 9,715	\$ 14,172,770
Expenditures Paid:					
Instruction	\$ 6,877,087	\$ 77	\$ 0	\$ 0	\$ 6,877,164
Support Services	3,666,760	459,030	0	237,575	4,363,365
Operation of Non-Instructional Services	525,769	0	0	0	525,769
Facilities Acquisition and Construction	14,000	1,500	0	3,244,008	3,259,508
Other Outlays	0	0	0	0	0
Other Uses	313	0	0	0	313
Repayments	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	6,495,000	0	6,495,000
Interest and Fiscal Agent Fees	0	0	107,685	0	107,685
Total Expenditures Paid	\$ 11,083,928	\$ 460,608	\$ 6,602,685	\$ 3,481,583	\$ 21,628,804
Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances	\$ (740,924)	\$ (21,619)	\$ (3,221,623)	\$ (3,471,868)	\$ (7,456,033)
Adjustments to Prior Year Encumbrances	\$ 358	\$ 0	\$ 0	\$ 0	\$ 358
Other Financing Sources (Uses):					
Estopped Warrants	\$ 10,804	\$ 279	\$ 0	\$ 0	\$ 11,082
Bond Proceeds	0	0	0	3,495,000	3,495,000
Transfers In	274,534	0	0	0	274,534
Transfers Out	(1,200)	0	0	0	(1,200)
Total Other Financing Sources (Uses)	\$ 284,138	\$ 279	\$ 0	\$ 3,495,000	\$ 3,779,416
Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)	\$ (456,428)	\$ (21,341)	\$ (3,221,623)	\$ 23,132	\$ (3,676,259)
Fund Balance - Beginning of Year	1,307,639	115,210	3,416,507	459,345	5,298,702
Fund Balance - End of Year	\$ 851,212	\$ 93,869	\$ 194,884	\$ 482,478	\$ 1,622,443

The notes to the financial statements are an integral part of this statement.

Newcastle School District No.1-001, McClain County, Oklahoma
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types
For the Year Ending June 30, 2013

	General Fund			Special Revenue Funds			Debt Service Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:									
Local Sources	\$ 2,779,762	\$ 2,779,762	\$ 3,264,591	\$ 397,415	\$ 397,415	\$ 438,987	\$ 3,186,178	\$ 3,186,178	\$ 3,353,487
Intermediate Sources	231,000	231,000	273,040	0	0	0	0	0	0
State Sources	4,815,429	5,484,696	5,676,415	0	0	1	0	0	0
Federal Sources	617,000	1,262,038	1,122,558	0	0	0	0	0	0
Non-Revenue Receipts	0	0	6,400	0	0	0	0	0	27,576
<i>Total Revenue Collected</i>	<u>\$ 8,443,191</u>	<u>\$ 9,757,496</u>	<u>\$ 10,343,005</u>	<u>\$ 397,415</u>	<u>\$ 397,415</u>	<u>\$ 438,988</u>	<u>\$ 3,186,178</u>	<u>\$ 3,186,178</u>	<u>\$ 3,381,062</u>
Expenditures Paid:									
Instruction	\$ 4,505,699	\$ 5,820,005	\$ 6,877,087	\$ 0	\$ 0	\$ 77	\$ 0	\$ 0	\$ 0
Support Services	5,122,750	5,122,750	3,666,760	512,626	512,626	459,030	0	0	0
Operation of Non-Instructional Services	378,855	378,855	525,769	0	0	0	0	0	0
Facilities Acquisition and Construction	0	0	14,000	0	0	1,500	0	0	0
Other Outlays	2,280	2,280	0	0	0	0	6,602,685	6,602,685	6,602,685
Other Uses	0	0	313	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 10,009,584</u>	<u>\$ 11,323,889</u>	<u>\$ 11,083,928</u>	<u>\$ 512,626</u>	<u>\$ 512,626</u>	<u>\$ 460,608</u>	<u>\$ 6,602,685</u>	<u>\$ 6,602,685</u>	<u>\$ 6,602,685</u>
<i>Excess of Revenues Collected Over (Under)</i>									
<i>Expenditures Paid Before Adjustments to</i>									
<i>Prior Year Encumbrances</i>	\$ (1,566,393)	\$ (1,566,393)	\$ (740,924)	\$ (115,210)	\$ (115,210)	\$ (21,619)	\$ (3,416,507)	\$ (3,416,507)	\$ (3,221,623)
Adjustments to Prior Year Encumbrances	\$ 0	\$ 0	\$ 358	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Financing Sources (Uses):									
Estopped Warrants	\$ 0	\$ 0	\$ 10,804	\$ 0	\$ 0	\$ 279	\$ 0	\$ 0	\$ 0
Transfers In	260,000	260,000	274,534	0	0	0	0	0	0
Transfers Out	(1,246)	(1,246)	(1,200)	0	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 258,754</u>	<u>\$ 258,754</u>	<u>\$ 284,138</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 279</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Excess (Deficiency) of Revenue Collected</i>									
<i>Over Expenditures Paid and Other Financing</i>									
<i>Sources (Uses)</i>	\$ (1,307,639)	\$ (1,307,640)	\$ (456,428)	\$ (115,210)	\$ (115,210)	\$ (21,341)	\$ (3,416,507)	\$ (3,416,507)	\$ (3,221,623)
<i>Fund Balance - Beginning of Year</i>	<u>1,307,639</u>	<u>1,307,639</u>	<u>1,307,639</u>	<u>115,210</u>	<u>115,210</u>	<u>115,210</u>	<u>3,416,507</u>	<u>3,416,507</u>	<u>3,416,507</u>
<i>Fund Balance - End of Year</i>	<u>\$ (0)</u>	<u>\$ 0</u>	<u>\$ 851,212</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 93,869</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 194,884</u>

The notes to the financial statements are an integral part of this statement.

Newcastle ISD No. 1, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2013

Note 1 - Summary of Significant Accounting Policies

The basic financial statements of the Newcastle Public Schools Independent District No.1, McClain County, Oklahoma (the "District") have been prepared in conformity with an other comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

1.A. Reporting Entity

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes.

The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on the State of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

The governing body of the District is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the District.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and /or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District's reporting entity. The District has various supporting groups. However, the District does not appoint any of the board members or exercise any oversight authority over these groups and the dollar amounts are not material to the District.

1.B. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain district functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Newcastle ISD No. 1, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2013

Note 1 - Summary of Significant Accounting Policies, (continued)

1.B. Fund Accounting, Governmental Fund Types, (continued)

Governmental Fund Types

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

1. General Fund - The General Fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenues sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program.

Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

2. Special Revenue Funds - The Special Revenue Funds of the District consist of the Building Fund.

Building Fund - The Building Fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment.

3. Debt Service Fund - The debt service fund is the District's Sinking Fund and is used to account for the accumulation of financial resources for the payment of general long-term debt principal, interest and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments.

4. Capital Projects Fund - The Capital Projects Fund consists of the Districts 2007-2013 Combined Purpose Bond issues. These funds are used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment.

Fiduciary Fund Types

Fiduciary Funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under the terms of a formal trust agreement, trust funds are used for their accounting and reporting. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

Newcastle ISD No. 1, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2013

Note 1 - Summary of Significant Accounting Policies, (continued)

1.B. Fund Accounting, (continued)

1. Agency Funds - The Agency Fund is the School Activities fund, which is used to account for monies, collected principally through fundraising efforts of the students and District-sponsored groups. The administration is responsible, under the authority of the Board, of collecting, disbursing and accounting for these activity funds.

Account Groups

Account groups are not funds and consist of a self-balancing set of accounts used only to establish accounting control over long-term debt and general fixed assets not accounted for in proprietary funds.

1. General long-term Debt Account Group - This account group is used to account for all long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for liabilities for compensated absences and early retirement incentives, which are to be paid from funds provided in future years.

2. General Fixed Asset Account Group - This account group is used to account for property, plant and equipment of the District. The District does not have the information necessary to include this group in its combined financial statements.

Memorandum Only - Total Column

The total column on the general purpose financial statements is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

1.C. Basis of Accounting and Presentation

The District prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments*. This format significantly differs from that required by GASB 34.

The basic financial statements are essentially prepared on a basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma State Department of Education (OSDE) as follows:

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments and inventories are recorded as assets when purchased.
- Capital assets in proprietary funds are recorded when acquired and depreciated over their useful lives.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.

Newcastle ISD No. 1, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2013

Note 1 - Summary of Significant Accounting Policies, (continued)

1.C. Basis of Accounting and Presentation, (continued)

- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred for governmental fund types; and, when revenues are earned and liabilities are incurred for proprietary fund types and trust funds.

1.D. Budgets and Budgetary Accounting

The District is required by state law to prepare an annual budget. The board of education requests an initial temporary appropriations budget from the county excise board before June 30. Then no later than October 1, the board of education prepares financial statement and estimate of needs and files it with the applicable county clerk and the State Department of Education. The final budget may be revised upon approval of the board of education and the county excise board.

Under current Oklahoma Statutes, a formal budget is required for all funds except for trust and agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

1.E. Assets, Liabilities and Fund Equity

Cash and Cash Equivalents – For purposes of the statement of cash flows, the District considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Investments - Investments consist of direct obligations of the United States government and agencies with maturities greater than three months when purchased. All investments are records at cost, which approximated market value.

Property Tax Revenues – The District is authorized by state law to levy property taxes, which consist of ad valorem taxes on real and personal property within the District. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes are due prior to January 1. The second half is due prior to April 1.

Newcastle ISD No. 1, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2013

Note 1 - Summary of Significant Accounting Policies, (continued)

1.E. Assets, Liabilities and Fund Equity, (continued)

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

Inventories – The value of consumable inventories at June 30, 2013, is not material to the basic financial statements.

Fixed Assets and Property, Plant and Equipment - The General Fixed Asset Account Group has not been presented.

Compensated Absences - Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. There are no amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Vested accumulated rights to receive sick pay benefits have been reported in the general long-term debt account group.

Long-Term Debt – Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Fund Balance - In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund) and those that are spendable (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

Newcastle ISD No. 1, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2013

Note 1 - Summary of Significant Accounting Policies, (continued)

1.E. Assets, Liabilities and Fund Equity, (continued)

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Committed fund balance represents amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment.

Assigned fund balance represents amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds other than the general fund, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

1.F. Revenue, Expenses, and Expenditures

State Sources - Revenues from state sources for current operations are primarily governed by the state aid formula under provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of the state aid funds to school districts based on information accumulated from the districts.

After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally, such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made.

The District receives revenue from the state to administer certain categorical education programs. The State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided. These rules also require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical educational program revenues be accounted for in the general fund.

Interfund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Transfers in/transfers out may not agree because activity fund transactions are not included.

Newcastle ISD No. 1, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2013

Note 2 – Deposit and Investment Risk

The District held the following deposits and investments at June 30, 2013:

			<u>Carrying Value</u>
Deposits			
Demand Deposits		\$	2,794,051
Time Deposits			0
Total Deposits		\$	<u>2,794,051</u>
Investments			
	<u>Credit Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
			\$ 0
Total Investments			<u>\$ 0</u>
Reconciliation to the Combined Statement of Assets, Liabilities and Equity			
Cash and Cash Equivalents		\$	2,763,360
Activity Fund Outstanding Checks			<u>30,691</u>
Total Deposits and Investments		\$	<u>2,794,051</u>

Custodial Credit Risk – Exposure to custodial credit related to deposits exists when the District holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the District holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name.

The District's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable collateral to U.S. Treasury and agency securities and direct debt obligations of the state, municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the District must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2013, the District was not exposed to custodial credit risk as defined above.

Investment Credit Risk – The District has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investment in:

1. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
2. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully uninsured certificates of deposit or savings accounts in out-of-state financial institutions.
3. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.

Newcastle ISD No. 1, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2013

Note 2 – Deposit and Investment Risk, (continued)

4. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
5. Warrants, bonds or judgments of the school district.
6. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c., and d.
7. Qualified pooled investment programs through an interlocal cooperative agreement formed pursuant to applicable law and to which the board of education has voted to be a member, the investments of which consist of those items specified in paragraphs 1 through 7 above, as well as obligations of the United States agencies and instrumentalities.
8. Any other investment that is authorized by law.

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investment by reporting the credit quality ratings of investment in debt securities as determined by nationally recognized statistical rating organizations-rating agencies- as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

The District did not have any investments in debt securities as of June 30, 2013.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments. The District did not have any investments as of June 30, 2013.

Concentration of Investment Credit Risk – Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the District (any over 5 percent are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The District places no limit on the amount it may invest in any one issuer.

At June 30, 2013, the District had no concentration of credit risk as defined above.

Note 3 - General Long-term Debt

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues have been approved by the voters and issued by the District for various capital improvements and transportation purposes. These bonds are required to be fully paid serially within 25 years from the date of issue.

General long-term debt of the District consists of bonds payable and obligations for compensated absences. Debt service requirements for bonds are payable solely from the fund balance and future revenues of the debt service fund.

Newcastle ISD No. 1, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2013

Note 3 - General Long-term Debt (continued)

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2013:

	Bonds Payable	Capital Lease Obligations	Compensated Absences	Total
Balance July 1, 2012	6,495,000	47,250,630	116,819	53,862,449
Additions	3,495,000	61,657	0	3,556,657
Retirements	6,495,000	3,110,974	4,278	9,610,252
Balance, June 30, 2013	3,495,000	44,201,313	112,541	47,808,854

A brief description of the outstanding general obligation bond issues at June 30, 2013, is set forth below:

	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding
2013 Combined Purpose Bonds	1.00%	July 1, 2014	\$ 3,495,000	\$ 3,495,000
Totals			\$ 3,495,000	\$ 3,495,000

Presented below is a summary of debt service requirements to maturity by years and by each bond issue:

	Principal	Interest	Total
2013 Combined Purpose Bonds			
2013-14	\$ 0	\$ 34,950	\$ 34,950
2014-15	3,495,000	34,950	3,529,950
Sub Total	\$ 3,495,000	\$ 69,900	\$ 3,564,900
Total Bonds	\$ 3,495,000	\$ 69,900	\$ 3,564,900

Interest expense on bonds payable incurred during the current year totaled \$107,685.

The District has entered into lease agreements as lessee for financing the acquisition of lighting upgrade, technology equipment, land and construction of new schools and improvements. These lease agreements qualify as capital leases for accounting purposes since the title transfers at the end of the lease terms and they have been recorded at the present value of the future minimum lease payments. These leases contain a clause which gives the District the ability to terminate the lease agreements at the end of each fiscal year.

As noted in Note 1 to the financial statements, the District does not record fixed assets in the financial statements. Consistent with this, the District has not recorded the above assets as assets in the General Fixed Assets Account Group. The District has recorded the liability for future lease payments in the general long-term debt account group for the above leases.

Newcastle ISD No. 1, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2013

Note 3 - General Long-term Debt (continued)

The schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments at June 30, is as follows:

			Newcastle Educational Facilities Auth	Newcastle Educational Facilities Auth	Newcastle Educational Facilities Auth		
	Year Ending	Dell Financial	2010 A & B	2010 C & D	2,006	Lighting	
	June 30	Technology	Lease Purchase	Lease Purchase	Lease Purchase	Upgrade	Total
	2014	\$ 52,849	\$ 126,252	\$ 1,158,098	\$ 2,014,350	\$ 19,426	\$ 3,370,975
	2015	8,808	345,672	3,170,828	0	14,569	3,539,877
	2016	0	368,541	3,380,609	0	0	3,749,150
	2017	0	392,871	3,603,779	0	0	3,603,779
	2018	0	418,660	3,840,340	0	0	4,259,000
	2019	0	1,200,000	3,336,200	0	0	4,536,200
	2020	0	475,104	4,358,096	0	0	4,833,200
	2021	0	505,758	4,639,292	0	0	5,145,050
	2022	0	513,544	4,710,706	0	0	5,224,250
	2023	0	545,658	5,005,292	0	0	5,550,950
	Total	\$ 61,657	\$ 4,892,060	\$ 37,203,240	\$ 2,014,350	\$ 33,995	\$ 44,205,302
Less: Amount representing interest		-2,635	0	0	0	-1,354	-3,989
Present Value of Future							
Minimum Lease Payments	\$	59,022	\$ 4,892,060	\$ 37,203,240	\$ 2,014,350	\$ 32,641	\$ 44,201,313

Also, the District accrues for unused sick leave for eligible employees. Unused sick leave for certified salaries is calculated at various rates up to 120 days depending upon years of service. Any amount in excess of 120 days is paid at \$15 per day upon retirement by the district. Unused sick leave is paid to noncertified employees at various rates up to 120 days depending upon years of service. However, no amounts are paid for days in excess of 120 days upon retirement. The liability for compensated absences at June 30, 2013, is as follows:

Unused Sick Leave Liability-Certified	\$ 99,111
Unused Sick Leave Liability-Support	13,430
Total Compensated Absences	<u>\$ 112,541</u>

Note 4- Teacher Retirement

Plan Description - The District participates in the state-administered Oklahoma Teachers' Retirement System (the "System") which is a cost-sharing multiple-employer defined benefit Public Employee Retirement System (PERS). The administration, benefits, and funding of the System are governed by Article XVII, Section 70 of the Oklahoma Statutes. The System is administered by a board of trustees which acts as a fiduciary for investing the funds and governing the administration of the System. PERS provides retirement, disability and death benefits to plan members and beneficiaries. The district has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution requirements.

Newcastle ISD No. 1, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2013

Note 4 – Teacher Retirement, (continued)

The System issues a publicly available financial report that includes financial statements and required supplementary information that can be obtained in writing at the Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Ok 73152 or by calling (405) 521-2387.

Funding Policy - Under the System, contributions are made by the District, the State of Oklahoma, and the participating employees. Participation is required for all teachers and other certified employees and is optional for all other regular employees of public education institutions who work at least 20 hours per week.

The contribution rates for the District and its employees, which are not actuarially determined, are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.50% of applicable compensation for the year ended June 30, 2013. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contribution for participating members is 7%.

The District's contributions to the System for the years ending June 30, 2013, 2012, and 2011 were \$578,547, \$511,581 and \$409,702 respectively.

The compensation for employees covered by the System for the year ended June 30, 2013 was \$6,904,941; the District's total compensation was \$7,839,353. In addition to the District's 9.50% contributions, the District was required to pay into the System 8.00% of compensation arising from federal grants (\$33,180). There were \$335,152 contributions made by employees during the year ended June 30, 2013.

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The nonfunded pension benefit obligation of the System as determined as part of the latest actuarial valuation dated June 30, 2012, is as follows:

Total pension obligation	\$ 18,588,042,438
Net assets available for benefits, at cost	<u>10,190,480,780</u>
Nonfunded pension benefit obligation	<u>\$ 8,397,561,658</u>

The System's accounting records are maintained on the cash basis of accounting, except for accruals of interest income.

Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2012. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they come due.

Newcastle ISD No. 1, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2013

Note 5 - Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agency. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Litigation

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable and the amounts are not readily estimable, the District believes the resolution of these matters will not have a material adverse effect on the financial statements and may be settled by the District's insurance carrier. The District intends to vigorously defend itself on the various lawsuits.

Note 6 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The District purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. The District had the following insurance coverage during the year: Commercial property - \$35,880,000; general liability - \$1,000,000; and educators liability \$1,000,000. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The School also participates in a risk pool for Workers' Compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the school reports the required contribution to the pool, net of refunds, as insurance expense. The risk pool is the Oklahoma School Assurance Group (OSAG), an organization formed for the purpose of providing workers' compensation coverage to participating schools in the State of Oklahoma. In that capacity, OSAG is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to them during the plan year. As a member of OSAG the District is required to pay fees set by OSAG according to an established payment schedule. A portion of the fees paid by the District goes into a loss fund for the District. The fee for the loss fund is calculated by projecting losses based on the schools losses for the last five year. OSAG provides coverage in excess of the Loss Fund so the District's liability for claim loss is limited to the balance of the loss fund. If the District does not use their loss fund in three years it is returned to them with no interest.

Note 7 - Use of Estimates

The preparation of financial statements in conformity with the cash basis and budget laws of the Oklahoma State Department of Education requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Newcastle ISD No. 1, McClain County
Notes To The Financial Statements
For The Year Ended June 30, 2013

Note 8– Surety Bonds

The treasurer/activity fund custodian is bonded by RLI Insurance Company, bond number LSM0479456 for the penal sum of \$250,000 for the term July 1, 2012 to July 1, 2013.

The Superintendent is bonded by RLI Insurance Company, bond number LSM0479455 for the penal sum of \$250,000 for the term February 28, 2013 to February 28, 2014.

The encumbrance clerk/payroll clerk is bonded by RLI Insurance Company, bond number LSM0479451 for the penal sum of \$100,000 for the term February 28, 2013 to February 28, 2014.

The minutes clerk is bonded by RLI Insurance Company, bond number LSM0479452 for the penal sum of \$100,000 for the term February 28, 2013 to February 28, 2014.

Note 9 – Budget Amendments

The General Fund Budget was amended twice during the year by filing supplemental appropriations forms with the county clerk's office. The supplemental appropriations were filed on October 12, 2012 and May 6, 2013 in the amounts of \$644,711 and \$669,594 respectively. This increased the original General Fund Budget from \$10,101,831 to \$1,325,136..

OTHER SUPPLEMENTAL INFORMATION

Newcastle School District No.1-001, McClain County, Oklahoma
Combining Statement of Assets, Liabilities and Fund Balances
Regulatory Basis - All Special Revenue Funds
For the Year Ending June 30, 2013

<u>ASSETS</u>	<u>Building Fund</u>	<u>Total June 30, 2013</u>
Cash and Cash Equivalents	\$ 98,705	\$ 98,705
Investments	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$ 98,705</u>	<u>\$ 98,705</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Warrants Payable	\$ 2,884	\$ 2,884
Reserve for Encumbrances	<u>1,952</u>	<u>1,952</u>
<i>Total Liabilities</i>	<u>\$ 4,836</u>	<u>\$ 4,836</u>
Fund Balances:		
Restricted	<u>\$ 93,869</u>	<u>\$ 93,869</u>
<i>Total Fund Balances</i>	<u>\$ 93,869</u>	<u>\$ 93,869</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 98,705</u>	<u>\$ 98,705</u>

Newcastle School District No.1-001, McClain County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - Special Revenue Funds
For the Year Ending June 30, 2013

	Building Fund	Total June 30, 2013
Revenue Collected:		
Local Sources	\$ 438,987	\$ 438,987
Intermediate Sources	0	0
State Sources	1	1
Federal Sources	0	0
Non-Revenue Receipts	0	0
	<hr/>	<hr/>
<i>Total Revenue Collected</i>	\$ 438,988	\$ 438,988
	<hr/>	<hr/>
Expenditures Paid:		
Instruction	\$ 77	\$ 77
Support Services	459,030	459,030
Operation of Non-Instructional Services	0	0
Facilities Acquisition and Construction	1,500	1,500
Other Outlays	0	0
Other Uses	0	0
Repayments	0	0
Interest Paid and Bank Charges	0	0
	<hr/>	<hr/>
<i>Total Expenditures Paid</i>	\$ 460,608	\$ 460,608
	<hr/>	<hr/>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	\$ (21,619)	\$ (21,619)
	<hr/>	<hr/>
Adjustments to Prior Year Encumbrances	\$ 0	\$ 0
	<hr/>	<hr/>
Other Financing Sources (Uses):		
Estopped Warrants	\$ 279	\$ 279
Transfers In	0	0
Transfers Out	0	0
	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	\$ 279	\$ 279
	<hr/>	<hr/>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	\$ (21,341)	\$ (21,341)
	<hr/>	<hr/>
<i>Fund Balance - Beginning of Year</i>	115,210	115,210
	<hr/>	<hr/>
<i>Fund Balance - End of Year</i>	\$ 93,869	\$ 93,869
	<hr/>	<hr/>

Newcastle School District No.I-001, McClain County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Special Revenue Funds - Budget and Actual
For the Year Ending June 30, 2013

	Building Fund			Total		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:						
Local Sources	\$ 397,415	\$ 397,415	\$ 438,987	\$ 397,415	\$ 397,415	\$ 438,987
Intermediate Sources	0	0	0	0	0	0
State Sources	0	0	1	0	0	1
Federal Sources	0	0	0	0	0	0
Non-Revenue Receipts	0	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 397,415</u>	<u>\$ 397,415</u>	<u>\$ 438,988</u>	<u>\$ 397,415</u>	<u>\$ 397,415</u>	<u>\$ 438,988</u>
Expenditures Paid:						
Instruction	\$ 0	\$ 0	\$ 77	\$ 0	\$ 0	\$ 77
Support Services	512,626	512,626	459,030	512,626	512,626	459,030
Operation of Non-Instructional Services	0	0	0	0	0	0
Facilities Acquisition and Construction	0	0	1,500	0	0	1,500
Other Outlays	0	0	0	0	0	0
Other Uses	0	0	0	0	0	0
Repayments	0	0	0	0	0	0
Interest Paid	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 512,626</u>	<u>\$ 512,626</u>	<u>\$ 460,608</u>	<u>\$ 512,626</u>	<u>\$ 512,626</u>	<u>\$ 460,608</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (115,210)</u>	<u>\$ (115,210)</u>	<u>\$ (21,619)</u>	<u>\$ (115,210)</u>	<u>\$ (115,210)</u>	<u>\$ (21,619)</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):						
Estopped Warrants	\$ 0	\$ 0	\$ 279	\$ 0	\$ 0	\$ 279
Transfers In	0	0	0	0	0	0
Transfers Out	0	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 279</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 279</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (115,210)</u>	<u>\$ (115,210)</u>	<u>\$ (21,341)</u>	<u>\$ (115,210)</u>	<u>\$ (115,210)</u>	<u>\$ (21,341)</u>
<i>Fund Balance - Beginning of Year</i>	<u>115,210</u>	<u>115,210</u>	<u>115,210</u>	<u>115,210</u>	<u>115,210</u>	<u>115,210</u>
<i>Fund Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 93,869</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 93,869</u>

Newcastle School District No.1-001, McClain County, Oklahoma
Combining Assets, Liabilities and Fund Equity
Activity Fund - Regulatory Basis
For the Year Ending June 30, 2013

<u>ASSETS</u>	<u>School Activity Fund</u>
Cash	\$ 155,244
Investments	<u>0</u>
<i>Total Assets</i>	<u>\$ 155,244</u>
<u>LIABILITIES AND FUND EQUITY</u>	
Liabilities:	
Due To Activity Groups	\$ <u>155,244</u>
<i>Total Liabilities</i>	<u>\$ 155,244</u>
Fund Equity:	
Unreserved/Undesignated	\$ <u>0</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 155,244</u>

Newcastle School District No.1-001, McClain County, Oklahoma
Combining Statement of Changes in Assets and Liabilities
Regulatory Basis - Activity Fund
For the Year Ending June 30, 2013

ACTIVITIES	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Cafeteria	\$ 23	\$ 268,732	\$ 268,755	\$ 0
Athletics	20,083	138,746	156,790	2,039
Elementary Crafts	948	4,398	3,532	1,814
Band	321	17,560	15,828	2,053
High School	32	3,235	3,144	123
Mock Trial	55	0	55	0
Elementary Library	4,661	14,635	13,913	5,383
Elementary Music	2,402	5,418	6,628	1,192
Elementary PE	7,102	500	5,164	2,439
Elementary School	954	7,517	6,332	2,139
Spanish Club	661	588	527	723
Elementary Art	2,896	1,665	1,669	2,892
Drama Club	1,893	0	0	1,893
General Fund Refund	0	9,420	9,420	0
HS Cheer	21,815	57,447	72,874	6,388
Class of 2015	250	1,537	406	1,380
HS Library	2,135	3,401	2,717	2,819
HS Choir	662	3,611	4,152	121
HS Stuco	1,649	7,247	7,952	943
Honor Society	100	903	863	139
Class of 2016	592	35	592	35
Class of 2014	195	13,340	10,763	2,772
Class of 2019 (scholarship)	1,650	0	0	1,650
Math Club	3,366	3,759	2,490	4,634
MS Library	3,226	5,531	6,856	1,901
Middle School	367	554	265	656
MS Stuco	9,462	21,374	22,026	8,809
Miscellaneous	1,540	2,007	2,156	1,391
Petty Cash-Elementary M.S.	0	200	200	0
Petty Cash-H.S./Admin.	0	200	200	0
FCS	238	365	0	603
MS Art	1	0	0	1
HS Yearbook	18,599	23,443	24,159	17,883
Computer Club	7	0	7	0
FCCLA	993	7,097	7,376	714
HS Art	6,654	0	209	6,445
Elementary Fundraiser	20,040	13,415	25,799	7,656
Business Professionals	394	215	325	284
Pit Crew	468	740	631	576
Creative Writing	195	0	0	195
Take the Lead/Make a Wi	0	12,838	12,838	0
Class of 2013	1,842	6,986	7,666	1,161
KDG FR/NEA Grant	14	0	14	0
MS Cheer	3,705	16,971	15,415	5,261
MS Fundraiser	6,200	7,205	8,707	4,698
Sports FR/Booster Club	5,428	18,665	21,620	2,473
Book Club	94	7	0	101
HG GT's	147	350	333	165
Elementary GT's	17	702	715	4
MS GT's	0	805	680	125
HS Newspaper	84	0	84	0
HS Science Club	436	10,404	5,842	4,997
HS SADD	146	0	146	0
FFA	6,843	56,694	55,641	7,896
Elementary Yearbook	3,841	6,095	8,230	1,706
MS Yearbook	2,315	9,174	7,325	4,165
Scholarship	0	0	0	0
Class of 2027	2,364	6,322	7,785	900
Class of 2026	1,931	6,879	7,185	1,625
Class of 2025	2,358	6,029	7,637	750
Class of 2024	443	3,889	3,821	510
Class of 2023	245	1,914	1,962	198
Class of 2022	159	2,665	2,632	192
Class of 2021	244	3,275	3,096	423
HS Principle Leadership	14,556	5,389	8,897	11,048
HS Hospitality	29	330	285	74
ECC/FERG	0	15,003	5,280	9,722
ECC LIB	0	14,500	10,636	3,864
ECC Yearbook	0	5,670	3,170	2,499
Total Activities	\$ 190,069	\$ 857,593	\$ 892,419	\$ 155,244

NEWCASTLE INDEPENDENT SCHOOL DISTRICT NO. 1, MCCLAIN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA#	Through Grantor's Project Number	Deferred Revenue (Accounts Receivable) July 1, 2012	Federal Grant Receipts	Federal Grant Expenditures	Deferred Revenue (Accounts Receivable) June 30, 2013	Indirect Cost included in Grant Expenditures
U.S. Department of Education							
<u>Direct Programs:</u>							
Physicia Education Program Grant (Q215F120105-12A)	84.215F	771	0	399,716	420,994	(21,278)	6,341
Indian Education Title VII	84.060A	561	11,152	61,085	112,717	(40,480)	0
<u>Passed Through Oklahoma State Department of Education:</u>							
Title I, Basic (Note 3)	84.010	511	0	98,701	159,704	(61,369)	3,438
Title I Cluster			0	98,701	159,704	(61,369)	3,438
IDEA-B Flowthrough	84.027	621	0	288,479	342,490	(54,012)	0
IDEA-B Preschool	84.173	641	0	9,327	9,327	0	0
Special Education Cluster			0	297,805	351,817	(54,012)	0
Title II, Part A,	84.367	541	0	6,206	15,982	(9,776)	0
Title VI, Part B Rural and Low Income	84.358	587	0	19,694	23,590	(3,896)	505
Total U.S. Department of Education			11,152	483,491	663,811	(169,533)	3,943
U.S. Department of Agriculture							
<u>Passed Through State Department of Education:</u>							
Breakfast Program	10.553	764	0	36,701	36,701	0	0
Lunch Program	10.555	763	0	202,650	202,650	0	0
Commodities Distributed-Lunch (Note 2)	10.555	N/A	0	13,963	13,963	0	0
Child Nutrition Cluster			0	253,314	253,314	0	0
Total U.S. Department of Agriculture			0	253,314	253,314	0	0
U.S. Department of Interior							
<u>Passed through Bureau of Indian Affairs:</u>							
Johnson O'Malley			0	0	4,672	(4,672)	0
Total U.S. Department of Interior			0	0	4,672	(4,672)	0
TOTAL FEDERAL ASSISTANCE			11,152	1,136,521	1,338,119	(190,811)	10,284

Note 1 - The Schedule of Federal Awards expended was prepared using the same accounting policies used in preparing the District's Financial Statements. The District's policy is to recognize expenditures when encumbered (contracted for) rather than at the time the related fund liability is incurred.

Note 2 - Commodities received were of a nonmonetary nature and therefore the total revenue does not agree with the financial statements by this amount.

Note 3- The district received a \$365.35 reimbursement twice resulting in a an overpayment. Therefore, the amount shown as Accounts Receivable is \$365.35 more than expenditures less revenue. The District's carryover to the 2013-14 year has been reduced by this amount.



ANGEL,
JOHNSTON &
BLASINGAME, P.C.

P.O. BOX 706 • 2700 SOUTH FOURTH
CHICKASHA, OKLAHOMA 73023
PHONE (405) 224-6363 • FAX (405) 224-6364
web www.telepath.com/ajba

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Board of Education
Newcastle Independent School District #1
McClain County, Oklahoma

Board Members:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the fund type and account group financial statements, regulatory basis, of **Newcastle Independent School District #1**, McClain County, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's combined financial statements and have issued our report thereon dated November 25, 2013. The report on these financial statements was adverse because the District has elected to prepare its financial statements on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a material departure from accounting principles generally accepted in the United States of America. Our opinion regarding the presentation of the financial statements referred to above in conformity with the prescribed basis of accounting was qualified due to the omission of the general fixed asset account group.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Newcastle Independent School District #1**, McClain County, Oklahoma's (The District's), internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The District's internal control. Accordingly, we do not express an opinion on the effectiveness of The District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs to be significant deficiencies. (2013-1, 2013-2, 2013-3, 2013-4, 2013-5)

Compliance and Other Matters

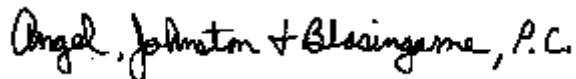
As part of obtaining reasonable assurance about whether The District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Newcastle Independent School District #1, Oklahoma's, Response to Findings

Newcastle Independent School District #1, Oklahoma's responses to the findings identified in our audit are described in the attached corrective action plan. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Chickasha, Oklahoma
November 25, 2013



ANGEL,
JOHNSTON &
BLASINGAME, P.C.

P.O. BOX 706 • 2700 SOUTH FOURTH
CHICKASHA, OKLAHOMA 73023
PHONE (405) 224-6363 • FAX (405) 224-6364
web www.telepath.com/ajba

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

The Honorable Board of Education
Newcastle Independent School District #I-1
McClain County, Oklahoma

Board Members:

Report on Compliance for Each Major Federal Program

We have audited **Newcastle Independent School District #I-1**, McClain County, Oklahoma's, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of **Newcastle Independent School District, I-1** McClain County, Oklahoma's, major federal programs based on our audit of the types of compliance requirements referred above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, **Newcastle Independent School District #I-1**, McClain County, Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Angel, Johnston & Blessingame, P.C.

Chickasha, Oklahoma
November 25, 2013

Newcastle ISD No. 1, McClain County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section 1

Summary of Auditor's Results

Financial Statements

- | | |
|--|---|
| 1. Type of auditor's report issued | Adverse |
| 2. Internal control over financial reporting; | (Due to F/S being prepared on a regulatory basis of accounting) |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|--|---------------|
| 1. Internal control over major program: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Reported |
| 2 Type of auditor's report issued on compliance for major program: | Unqualified |
| 3 Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(a)? | No |
| 4. Identification of major programs: | |

CFDA Number

Name of Federal Program

84.215F

PEP Grant

84.027, 84.173

Special Education Cluster

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A or Type B programs: | \$300,000 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | No |

Newcastle ISD No. 1, McClain County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013
(continued)

Section 2

Financial Statement Findings

2013-1 Finding

Statement of Condition - During activity fund expenditure testing, we noted four of twenty four purchase orders dated after the invoice. Three of these were from the cheer accounts, totaling \$25,555.79 and one was from the elementary PE account for \$3,459. This indicates the goods/services were ordered/received before approval was received.

Criteria – Activity fund purchasing procedures require that all purchases be approved by the activity fund purchasing officer and that the activity fund custodian check the sub account balance for available funds prior to goods/services being ordered. These steps should be documented with a signed requisition.

Cause/Effect of Condition – There was a lack of implementation and/or compliance with activity fund purchasing procedures. Not following proper purchasing procedures increases risk that goods/services that the board of education has not approved could be ordered and also there is a chance that the sub-account may not have the funds needed to cover the purchase.

Recommendation – We recommend that all sponsors obtain an approved requisition or purchase order prior to ordering goods/services.

2013-2 Finding

Statement of Condition - It appears that the 16.5% teacher retirement contribution was not paid for employees who had previously retired from the district and returned back to employment with the district. The estimated underpayment was \$7,605.

Criteria – Teacher retirement requires the district pay in 16.5% on the salary paid to employees who have previously retired from the district, and then come back to work for the district.

Cause/Effect of Condition – Payroll personnel were not aware of this requirement, therefore, teacher retirement is underpaid.

Recommendation – The district should contact teacher retirement to see how to handle this underpayment.

2013-3 Finding

Statement of Condition - Federal matching teacher retirement of 8% was not paid on employees salaries coded to the federal project code 771. We also noted the federal match was not paid on a teacher coded to the 621 project code. The total underpayment is approximately \$10,798.

Criteria – Salaries paid and coded to a federal projects are required to have an additional 8% contribution to teacher retirement.

Cause/Effect of Condition – Project 771 was a new federal grant, and employees in charge of payroll were not aware that the teacher retirement federal match applied to this grant. The salary for the 621 project code was reclassified to 621 at the end of the year, and therefore, the federal match was not calculated and paid in during the year on this teacher.

Recommendation – The District needs to contact teacher retirement to see how to handle this underpayment.

2013-4 Finding

Statement of Condition - The Superintendent was paid \$2,299.50 on 8-7-2012 for consulting work from the May and June of the 2011-12 fiscal year (before he became Superintendent). This was not reserved and paid from the 2011-12 appropriations, so they paid it out of 2012-13 year appropriations which makes it appear he was paid more than his contract amount for the 2012-13 year. However, the Superintendent was paid the correct amount for the 2012-13 year. The error was paying for May and June consulting payment out of the incorrect year.

Criteria – Payroll expenditures should be paid from the fiscal year appropriations in which they were incurred.

Cause/Effect of Condition – This payment was overlooked at the end of the 2011-12 year due to the transition and new personnel. When they realized in 2012-13 that this had not been paid yet, they paid it out of 2012-13 year appropriations.

Recommendation – Care should be taken to ensure that expenditures are paid out of the correct fiscal year appropriations.

2013-5 – Finding

Statement of Condition - A Lease purchase interest/rental payment of \$12,500 was paid out of Bond Fund 36.

Criteria – Lease purchase rental payments should be paid out of the general fund or building fund and cannot be paid from a bond fund.

Cause/Effect of Condition – This payment was made during the transition of personnel. It is not an expenditure that is authorized to be paid from the bond fund.

Recommendation – We recommend that a reimbursement be made from the building fund to the bond fund.

Section 3

Federal Award Findings and Questioned Costs

(None Reported)

OTHER INFORMATION

Newcastle ISD No. 1, McClain County
Summary Schedule of Prior Year Audit Findings
For Year Ended June 30, 2013

Financial Statement Findings

2012-1 Finding

Statement of Condition - We noted a non-exempt employee was paid at a straight rate of pay for time worked in excess of 40 hours in a work week.

Criteria – The Fair Labor Standards Act (FLSA) requires non-exempt employees be paid at 1 ½ their regular rate of pay for all hours worked in excess of 40 in a work week.

Cause/Effect of Condition – Payroll personnel did not understand the FLSA requirements. The district could be held liable for underpaid payroll.

Recommendation – Payroll personnel should become familiar with the FLSA and pay non-exempt employees correctly.

Current Status - This was not noted during the 2012-13 year audit.

2012-2 Finding

Statement of Condition - We noted a warrant issued to Thomson Book Supply in October 2011 for \$9,607 was still outstanding as of November 8, 2012. The district reviewed their records and discovered that invoice had been paid twice but was caught by the encumbrance clerk who never mailed the warrant. However, she failed to void it in the system or to notify the treasurer that the warrant had been voided.

Criteria – The district's financial statements should only include warrants outstanding that are a true liability of the district.

Cause/Effect of Condition – The encumbrance clerk did not tell the treasurer to void the warrant on her records. Also, the treasurer did not notice that a large warrant had not cleared within a timely manner.

Recommendation – The encumbrance clerk should ensure all warrants are voided if not actually issued. Also, the treasurer should review the warrants outstanding list periodically and follow-up on large outstanding warrants.

Current Status - We did not notice this as a finding for the 2012-13 audit.

2012-3 Finding

Statement of Condition - State law requires the treasurer and the encumbrance clerk obtain 12 hours of continuing education every 3 years. The encumbrance clerk could not provide documentation to prove she had obtained the required hours.

Criteria – State law requires the encumbrance clerk obtain 12 hours of continuing education every 3 years.

Cause/Effect of Condition – Due to health reasons/job demands, the encumbrance clerk was unable to obtain the required hours. Thus, she is out of compliance.

Recommendation – The encumbrance clerk should obtain the required continuing education as soon as possible. In addition, the district may want to assign someone to ensuring that all continuing education requirements are met.

Current Status - This was corrected during the 2012-13 fiscal year.

2012-4 Finding

Statement of Condition - During fundraiser testing of the Elementary sub-account, we noted that 5 of 10 deposits were not deposited in a timely manner. Deposits took from 6 to 9 days to deposit.

During fundraiser testing for the Band sub-account, we noted that the sponsor did not issue receipts for all collections. Total deposits were \$20,239 but total receipts issued were only \$7,305. Also, deposits were held over a month from the receipt date.

Criteria – State law requires deposits be made daily if over \$100 but not less than once per week. Further, state regulations require receipts be issued whenever possible.

Cause/Effect of Condition – Fundraiser sponsors failed to receipt/turn in money timely.

Recommendation – The district should instruct all sponsors regarding activity fund regulations including the depositing and receipting requirements. If a sponsor continues to not follow procedures, they should not be allowed to be in charge of fundraisers.

Current Status - This was corrected for the 2012-13 year.

2012-5 – Finding

Statement of Condition The district's OCAS data reported more expenditures for federal programs than what was claimed for reimbursement. It appears the district did not file final claims for reimbursement for expenditures made at the end of the year. Below are the amounts of expenditures coded to the federal programs and the amounts claimed for reimbursement:

Project Code	Program	Amount Expended	Amount Claimed
511	Title I	\$ 134,056	\$ 105,652
541	Title II, Part A	14,068	13,447
563	Johnson O'Malley	4,100	0
586	State REAP	9,372	0
621	IDEA Flowthrough	328,816	289,236
641	IDEA Preschool	11,282	8,874

Criteria – The district should file timely claims for reimbursement for federal programs.

Cause/Effect of Condition – The district did not have anyone assigned to ensuring all federal monies were claimed. Thus, the district did not receive all the federal reimbursements it qualified for.

Recommendation – The district should place someone in charge of federal programs to ensure all claims are filed on a timely basis and that the reimbursements are received.

Current Status - This appears to be corrected during the 2012-13 year.

Federal Award Findings and Questioned Costs**2012-6 Finding-Indian Education CFDA 84.060 Grant Period Year Ending June 30, 2012**

Statement of Condition-As noted during the prior year audit, the district received \$19,571.63 more in revenue during the 2010-11 year than what they expended from the Indian Education (Project Code 561) federal program. During the 2011-12 year, the district coded \$92,080.09 of expenditures to the Indian Education project code and received \$83,660.42 of revenues.

Thus, as of June 30, 2012, the district had still not accounted for \$11,152.42 (\$19,571.63+\$83,660.42-\$92,080.09) of the monies received from the Indian Education program for the period July 1, 2011 to June 30, 2012.

The District did code \$14,691.33 of expenditures to the Indian Education program during the period July 1, 2012 to September 30, 2012 for which they have not claimed any reimbursement. The school plans on only asking for reimbursement on \$3,538.91 (\$14,691.33-\$11,152.49) of these expenditures to offset the unaccounted for revenues.

Criteria - Federal regulations provide that monies should only be claimed for expenditures that will be made within 3 days.

Cause/Effect of Condition - A new district employee was not aware of the federal requirements and called down the entire grant during the 2010-11 year. Then when the district tried to correct the error, they reduced their 2011-12 Indian Education budget instead of reducing their amount claimed for the 2011-12 year.

Recommendation - The district should contact the Indian Education program to see if their resolution is adequate or if they need to return the money.

Current Status - This was corrected for the 2012-13 year.

Newcastle ISD No. 1, McClain County
Schedule of Accountant's Professional Liability Insurance Affidavit
For Year Ending June 30, 2013

STATE OF OKLAHOMA)
)ss
COUNTY OF GRADY)

The undersigned auditing firm of lawful age, being first duly sworn on oath says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with *Newcastle Independent School District* for the audit year 2012-13.

ANGEL, JOHNSTON, & BLASINGAME, P.C.



by _____

Subscribed and sworn to before me this ____ day of _____, 2013.

Notary Public

My Commission Expires 11-12-16

SCHOOL'S CORRECTIVE ACTION PLAN



Newcastle Public Schools

Tony O'Brien, Superintendent
tobrien@newcastle.k12.ok.us

101 North Main
Newcastle, OK 73065
(405) 387-2890 office
(405) 387-3482 fax
www.newcastle.k12.ok.us

Newcastle Public School District- I-001
McClain County #47

Audit Findings
Corrective Action Plan

2012-2013 Audit Year

Audit Finding Reference Number: 2013 1

Description of Finding: During activity fund testing, it was noted that four (4) of twenty-four (24) purchase orders were dated after the invoice. Three of these were from the cheer accounts, totaling \$25,555.79 and one was from the elementary PE account for \$3,459. This indicates the goods/service were ordered/received before the approval was received.

Contact Person: Tony O'Brien

Steps Implemented: Directives have been given to the activity fund encumbrance clerk, Mrs. Jimmie Holman, that all PO's must be checked against the associated invoices to make sure compliance with regulations is taking place. If a staff member is out of compliance, they will then be given notice in writing and will be put on warning. The district will also have a activity fund meeting with all activity sponsors in the very near future to make sure compliance takes place for this fiscal year.

Completion Date: In process and will be completed prior to the end of the fiscal year.



Newcastle Public Schools

Tony O'Brien, Superintendent

to'Brien@newcastle.k12.ok.us

101 North Main
Newcastle, OK 73065
(405) 387-2890 office
(405) 387-3482 fax
www.newcastle.k12.ok.us

Newcastle Public School District- I-001
McClain County #47

Audit Findings
Corrective Action Plan

2012-2013 Audit Year

Audit Finding Reference Number: 2013-2

Description of Finding: After hiring two retired teachers for the 2012-13 year, payroll department did not send the required 16.5% to the Oklahoma Teachers Retirement System (OTRS).

Contact Person: Tony O'Brien

Steps Implemented: This issue has already been corrected prior to the audit for the current fiscal year and the business office is reviewing their records to determine what is needed to send to TRS for the previous fiscal year to catch the district up. The payment to OTRS will be made at the beginning of the new calendar year, probably in January, 2014.

Completion Date: Prior to January 31, 2014



Newcastle Public Schools

Tony O'Brien, Superintendent

to'Brien@newcastle.k12.ok.us

101 North Main
Newcastle, OK 73065
(405) 387-2890 office
(405) 387-3482 fax
www.newcastle.k12.ok.us

Newcastle Public School District- I-001
McClain Country #47

Audit Findings
Corrective Action Plan

2012-2013 Audit Year

Audit Finding Reference Number: 2013-3

Description of Finding: Federal Matching teacher retirement of 8% was not paid on employees' salaries coded to the federal project code 771 (pep grant) and to project code 621(special education). The 621 was re-classed prior to the end of the year but the calculations never took place for the money to be sent during the correct fiscal year.

Contact Person: Tony O'Brien

Steps Implemented: This issue has already been corrected for the current fiscal year and the business office is reviewing their records to determine what is needed to send to TRS for the previous fiscal year to catch the district up. The amount is approximately \$10,798. The auditor has helped with the coding in our accounting system to make sure that the matching amounts are generated from the correct sources. The payment to OTRS will be made at the beginning of the new calendar year, probably in January, 2014.

Completion Date: Prior to January 31, 2014



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Audit Findings
Corrective Action Plan

2012-2013 Audit Year

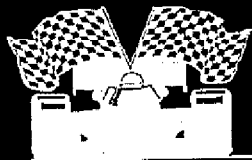
Audit Finding Reference Number: 2013 4

Description of Finding: The Superintendent was paid an amount of \$2,299.50 on 8-7-12 for consulting work from the May and June of the 2011-12 fiscal year (before he became superintendent). This was not reserved and paid for from the 2011-12 appropriations, and was paid out of 2012-13 year appropriations which makes it appear he was paid more than his contract amount for the 2012-13 year. The superintendent was paid the correct amount for his 2012-13 contract.

Contact Person: Tony O'Brien

Steps Implemented: The district was in a state of transition at the time. Steps have already been put into place to make sure that expenditures that are encumbered are paid out of the correct fiscal year. The superintendent was not paid more than his contracted amount during the fiscal year in question with the exception of this payment.

Completion Date: Already done.



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Audit Findings
Corrective Action Plan

2012-2013 Audit Year

Audit Finding Reference Number: 2013-5

Description of Finding: A lease purchase interest/rental payment of \$12,500 was paid out of Bond Fund 36.

Contact Person: Tony O'Brien

Steps Implemented: The district is in the process of repaying the bond fund 36 from either the general fund or building fund for the \$12,500.

Completion Date: This will be completed by January 31, 2014.